

Message Text

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SUBJECT: SALE OF HELICOPTERS TO ROMANIA - AMBASSADOR'S DISCUSSIONS
WITH GOR LEADERSHIP

1. SIKORSKY REPS MADE FINAL OFFER TO ROMANIANS IN BID COMPETITION FOR HELICOPTER PROJECT ESTIMATED AT TOTAL VALUE ABOUT \$100 MILLION. SIKORSKY TEAM, INCLUDING VICE PRESIDENTS SERGEI SIKORSKY AND PHIL LOCKE, OFFERED WHAT WE WOULD CONSIDER SUBSTANTIAL CONCESSIONS IN SEVERAL PROVISIONS OF ORIGINAL BID. THESE INCLUDE REDUCTION OF LICENSE AND TECHNICAL ASSISTANCE PAYMENTS, LOWER SPARE PARTS COSTS, EXTENSION OF PERIOD FOR FIXED TOTAL PROPOSAL COST, ADDITION OF NEW EXPORT SALES TERRITORIES FOR ROMANIAN PROGRAM, PLACING CEILING LIMIT ON LONG-TERM ESCALATION CLAUSE, AND AGREEMENT TO REPURCHASE 65 PERCENT OF CONTRACT VALUE IN HELICOPTER COMPONENTS AND ASSEMBLIES.

2. ROMANIAN NEGOTIATORS PROMISED TO INCLUDE ALL THESE MODIFICATIONS IN THEIR RECOMMENDATIONS TO HIGHER GOR AUTHORITIES WHERE FINAL DECISION STILL LIES, BUT GAVE SIKORSKY NO FIRM INDICATION OF WHEN DECISION WOULD BE MADE. FTO OFFICIALS GAVE THEIR PERSONAL OPINION THAT CHOICE WOULD BE MADE QUOTE VERY SOON UNQUOTE.

3. RECENT DISCUSSIONS BETWEEN AMBASSADOR AND MEMBERS OF GOR
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LEADERSHIP, HOWEVER, GIVE SOMEWHAT MORE DEFINITE INDICATIONS OF

COMPETITIVE STATUS BETWEEN US AND FRENCH FIRMS AND OF TIMING FOR DECISION. AS INDICATED EARLIER, PRESIDENT CEAUSESCU TOLD AMBASSADOR THAT FRENCH HAD DEFINITE COMPETITIVE EDGE, ALTHOUGH IT WAS NOT ABSOLUTELY CLEAR AT THE TIME WHETHER CEAUSESCU WAS AWARE OF LATEST SIKORSKY PROPOSALS, WHICH WERE BEING DISCUSSED AT THE TIME WITH FTO AND INDUSTRIAL CENTRAL NEGOTIATORS. MORE RECENTLY, ON MARCH 23, MINISTER OF FOREIGN TRADE ION PATAN ALSO TOLD AMBASSADOR THAT FRENCH WERE STILL AHEAD, AND THAT FRENCH COMPANY REPURCHASE OFFER WAS ONE MAIN FACTOR IN ITS FAVOR. HE SPECIFICALLY STATED THAT SIKORSKY'S PRICE WAS COMPETITIVE WITH FRENCH AND THAT PRICE, THEREFORE, WOULD NOT BE A DETERMINING FACTOR IN DECISION. IN DISCUSSIONS WHICH FOLLOWED, HOWEVER, PATAN SEEMED SURPRISED TO HEAR THAT SIKORSKY PROPOSAL INCLUDED REPURCHASE CLAUSE UP TO 65 PERCENT OF CONTRACT VALUE. AT PATAN'S REQUEST, WE ARE WORKING WITH MFT DIRECTOR PETRE SIN, TO ASSURE THAT THE MINISTER IS AWARE OF ALL POINTS IN RECENT SIKORSKY OFFER (PARA 1 ABOVE). CONCERNING TIMING, MINISTER PATAN SAID DECISION WOULD BE TAKEN IN ABOUT 10 TO 14 DAYS.

4. COMMENT: IT APPEARS NOW THAT EVALUATIONS AND RECOMMENDATIONS MAY HAVE BEEN SLANTED TOWARD FRENCH, AND PATAN'S REACTION TO INFORMATION ON SIKORSKY'S MOST RECENT PROPOSALS COULD MEAN THAT THIS SLANT MIGHT ALSO INVOLVE DOWNPLAYING OF SOME FEATURES IN US FIRM'S OFFER. IN ANY CASE, WE HAVE BEEN IN CONTACT WITH SIN AND ARE SENDING HIM A SUMMARY OF THE NEW FEATURES OF THE MOST RECENT SIKORSKY PROPOSAL, WITH EMPHASIS ON THE REPURCHASE OFFER. SIN HAS PROMISED TO BRING ALL NEW FEATURES OF THE PROPOSAL TO PATAN'S ATTENTION BEFORE A FINAL DECISION IS REACHED.

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